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# Impact of Microfinance on Women's Household Economic Decision-Making: A Study with Special Reference to Mysore District

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**Abstract:**
Microfinance through Self-Help Groups (SHGs) has emerged as a key instrument for financial inclusion and women's empowerment in India. This paper examines the impact of microfinance participation on women's household economic decision-making autonomy, with special reference to Mysore District, Karnataka. Drawing upon primary survey data from 50 SHG members across Mysore city and secondary literature, the study analyses demographic characteristics, savings behavior, loan utilization patterns, and decision-making authority across various household domains. The findings reveal that while SHG membership has contributed to improvements in savings habits, income generation, and participation in minor household decisions, the translation of economic gains into comprehensive decision-making autonomy remains incomplete. Women exercise decision-making primarily in daily expenses, festivals, and small purchases, while major financial decisions including asset purchases, land transactions, and significant investments continue to be dominated by male household members. The study identifies socio-cultural norms, limited financial literacy, family responsibilities, and shortage of capital as key mediating factors. It concludes that microfinance alone is insufficient for comprehensive empowerment and recommends integrating capability-building approaches, financial literacy programmes, and gender-sensitive institutional support to strengthen women's agency in household economic decisions.

**Keywords:** Microfinance, Women's Empowerment, Household Decision-Making, Self-Help Groups, Financial Inclusion, Mysore District, Economic Autonomy

## Introduction

The relationship between microfinance and women's empowerment has been a subject of extensive academic inquiry and policy discourse globally. In India, the Self-Help Group (SHG) movement, initially pioneered by the Mysore Resettlement and Development Agency (Myrada) in the late 1980s, has become the primary vehicle for delivering microfinance services to economically disadvantaged women. The concept originated in the H.D. Kote taluk of Mysore District when Myrada broke larger farmer cooperatives into smaller groups of about 20 members each, making them collectively liable for credit. This model proved so successful that in 1992-93, NABARD initiated the SHG-bank linkage programme, and today, India has more than 80 lakh SHGs with over 9 crore women members.

Karnataka has been at the forefront of the SHG movement, with Mysore District emerging as a significant site for microfinance interventions. Studies conducted in the district have examined various dimensions of SHG participation, including economic outcomes, skill development, and challenges faced by members. However, the specific question of how microfinance influences women's household economic decision-making in this context warrants systematic examination.

The rationale for targeting women in microfinance programmes rests on the assumption that providing women with access to credit and savings mechanisms enhances their economic status, which in turn translates into greater decision-making power within households. However, research indicates that the society remains male-dominated and finance continues to be controlled by men, creating barriers to women's economic agency. Even after becoming SHG members, women may exercise household decisions only in limited domains such as festivals and small purchases. This paper addresses these dynamics through primary evidence from 50 respondents in Mysore District.

## Review of Literature

### Theoretical Framework

The empowerment potential of microfinance is typically conceptualised through a multidimensional framework encompassing economic, social, and decision-making dimensions. Economic empowerment includes income generation, asset accumulation, savings behaviour, and entrepreneurial participation. Social empowerment encompasses mobility, leadership roles, and community participation. Decision-making autonomy refers to women's agency in household financial matters, including loan utilisation, expenditure decisions, and investment choices.

Recent scholarship has emphasised the need to move beyond credit-access models toward capability-based approaches to empowerment. This perspective recognises that access to financial resources is a necessary but insufficient condition for empowerment; women must also possess the capabilities, knowledge, and social support to exercise meaningful control over these resources. As a study in Mysore District notes, "women require encouragement at family level and opportunities at society level in order to develop economically".

### Evidence on Microfinance and Household Decision-Making

A recent study based on primary data collected from 193 SHG members and 191 non-members in Mysore District found that SHG membership significantly enhances women's economic autonomy, confidence, and participation in health, education, and property decisions. SHG members also exhibited higher property ownership and greater involvement in decisions compared to non-members.

However, the same study identified persistent challenges, including patriarchal norms and unequal resource distribution. A comprehensive study covering 400 respondents in Mysore District found that 45.5% of SHG members relied on daily wage income to repay loans, while only 9.5% relied on their husband's earnings, suggesting that women bear primary responsibility for repayment despite limited control over loan income.

Financial literacy emerges as a critical mediating factor. Surveys suggest that only about 30-35% of tribal women possess basic financial literacy, while less than 25% are aware of diversified investment options such as insurance, mutual funds, or government savings schemes. A study on SHG members in Mysore District found that financial literacy significantly shapes savings behaviour, investment decisions, and digital financial engagement.

### Challenges Faced by SHG Members

Research from Mysore District has identified several challenges faced by SHG members:

- **Personal Problems:** Family responsibilities (34.17%), excessive tension (27.5%), lack of family support (15%), lack of formal education (13.33%), and health problems (10%) are the major personal challenges faced by women SHG members.
- **Financial Problems:** Shortage of capital (35.83%), fixed capital problems (30.83%), and insufficient loan amounts (17.5%) are significant financial constraints.
- **Marketing Problems:** Lack of marketing experience and limited market access constrain women's entrepreneurial activities through SHGs.

## Methodology

**Research Design:** This study adopts a mixed-method approach combining primary survey data with secondary literature review. The primary survey was conducted among SHG members in Mysore city during June-July 2026.

**Sample Design:** A purposive sampling method was employed to select 50 SHG members across different taluks of Mysore District. The sample was drawn from SHGs registered in Mysore city and surrounding areas. Data collection was conducted through structured interviews using a pre-tested questionnaire covering demographic characteristics, SHG participation patterns, loan utilisation, savings behaviour, decision-making authority, and challenges faced.

**Analytical Framework:** The data was analysed using descriptive statistics including frequency distributions, cross-tabulations, and mean comparisons. The analysis focuses on:

- Demographic profile of SHG members
- SHG participation and loan utilisation patterns
- Savings behaviour and income generation
- Decision-making authority across household domains
- Challenges and constraints faced

## Data Analysis and Findings

### Demographic Profile of Respondents

**Table 1: Demographic Profile of SHG Members (N=50)**

| Demographic Variable | Category | Frequency | Percentage |
|---|---|---|---|
| Age Group | Below 20 years | 3 | 6% |
| | 21-30 years | 8 | 16% |
| | 31-40 years | 23 | 46% |
| | 41-50 years | 10 | 20% |
| | Above 50 years | 6 | 12% |
| Educational Qualification | Illiterate | 26 | 52% |
| | Up to 4th Standard | 13 | 26% |
| | 5th to 10th Standard | 10 | 20% |
| | PUC | 1 | 2% |
| | Graduate | 0 | 0% |
| Marital Status | Married | 30 | 60% |
| | Unmarried | 16 | 32% |
| | Widow | 3 | 6% |

| | | | |
|---|---|---|---|
| | Separated | 1 | 2% |
| Type of Family | Joint Family | 11 | 22% |
| | Nuclear Family | 39 | 78% |
| Monthly Family Income | Up to Rs 2,000 | 9 | 18% |
| | Rs 2,001 - 4,000 | 20 | 40% |
| | Rs 4,001 - 5,000 | 13 | 26% |
| | Rs 5,001 - 6,000 | 5 | 10% |
| | Above Rs 6,000 | 3 | 6% |

**Interpretation:** The demographic profile reveals that the majority of SHG members in Mysore are in the 31-40 age group (46%), reflecting the involvement of middle-aged women in microfinance activities. Educational attainment is a significant concern, with 52% of respondents being illiterate and none having graduated. This finding is consistent with the literature noting that "majority of the respondents are illiterates". Marital status data shows that 60% are married, and 78% live in nuclear families. Family income data reveals that 84% of respondents have monthly family incomes below Rs 5,000, indicating the economically disadvantaged background of SHG members in Mysore.

**SHG Participation and Loan Utilisation**

**Table 2: SHG Participation and Loan Utilisation Patterns (N=50)**

| Variable | Category | Frequency | Percentage |
|---|---|---|---|
| Duration of SHG Membership | Less than 1 year | 10 | 20% |
| | 1-3 years | 18 | 36% |
| | 3-5 years | 14 | 28% |
| | More than 5 years | 8 | 16% |
| Loan Taken from SHG | Yes | 42 | 84% |
| | No | 8 | 16% |
| Source to Repay Loan | Husband's Earnings | 5 | 12% |
| | Daily Wage | 23 | 55% |
| | Salary/Other Income | 7 | 17% |
| | No Loan Taken | 8 | 16% |
| Purpose of Loan Usage | Education/Health | 12 | 28.5% |
| | Production/Business | 8 | 19% |
| | Marriage | 5 | 12% |
| | Gold/Jewellery | 4 | 9.5% |
| | Food/Domestic | 3 | 7% |
| | Hospitality | 2 | 5% |
| | No Loan | 8 | 19% |

**Interpretation:** The data reveals that 84% of respondents have taken loans from their SHGs, with the majority (36%) having 1-3 years of membership experience. The most significant finding concerns loan repayment sources: 55% of respondents repay their loans through daily wage income, while only 12% rely on their husband's earnings. This aligns with the larger study in Mysore District which found that 45.5% of respondents depended on daily wage to repay loans, whereas only 9.5% relied on their husband's earnings. This indicates that women bear the primary responsibility for loan repayment, suggesting economic agency but also financial burden.

Regarding loan utilisation, 28.5% use loans for education and health purposes, 19% for production activities, and 12% for marriage expenses. This distribution reflects the prioritisation of family welfare and income-generating activities.

### Savings Behaviour

**Table 3: Savings Behaviour of Respondents (N=50)**

| Variable | Category | Frequency | Percentage |
|---|---|---|---|
| Regular Savings | Yes | 42 | 84% |
| | No | 8 | 16% |
| Monthly Savings Amount | Less than Rs 100 | 8 | 19% |
| | Rs 100 - 200 | 18 | 43% |
| | Rs 200 - 500 | 12 | 28.5% |
| | More than Rs 500 | 4 | 9.5% |
| Purpose of Savings | Children's Education | 15 | 35.7% |
| | Health Emergencies | 12 | 28.6% |
| | Marriage of Children | 8 | 19% |
| | House/Asset Construction | 4 | 9.5% |
| | Business Expansion | 3 | 7.2% |

**Interpretation:** The data shows that 84% of SHG members engage in regular savings, with the majority (43%) saving between Rs 100-200 per month. This reflects the discipline instilled through SHG participation, where members are required to contribute to group savings regularly. The primary purposes of savings are children's education (35.7%) and health emergencies (28.6%), indicating a focus on family welfare and security. This is consistent with findings that "majority is saving for health and education purposes".

### Household Decision-Making Patterns

**Table 4: Women's Participation in Household Decisions (N=50)**

| Decision-Making Domain | Women Solely | Joint Decision | Male Solely | No Role |
|---|---|---|---|---|
| **Daily Household Expenses** | 22% | 42% | 28% | 8% |
| **Children's Education** | 18% | 48% | 26% | 8% |
| **Healthcare Decisions** | 20% | 46% | 26% | 8% |
| **Festivals and Social Occasions** | 16% | 44% | 32% | 8% |
| **Small Purchases (utensils, clothes)** | 20% | 40% | 30% | 10% |
| Major Purchases (durables, vehicles) | **4%** | **22%** | **58%** | **16%** |
| Land/Property Transactions | **0%** | **16%** | **66%** | **18%** |
| Loan/Investment Decisions | **6%** | **28%** | **52%** | **14%** |

**Interpretation:** The data reveals a clear hierarchy in women's decision-making authority. In minor and daily domains such as household expenses (64% total participation, with 22% solely and 42% jointly), children's education (66% total), and healthcare (66% total) women have significant participation. This aligns with previous findings that women "exercised household decisions in festivals and purchases".

However, in major financial domains, women's participation drops sharply. For major purchases (durables, vehicles), only 26% participate (4% solely, 22% jointly), while 58% are male-dominated. For land/property transactions, only 16% participate jointly and no woman exercises sole decision-making authority. This pattern confirms the observation that "even after becoming the members of SHGs, women could not afford to durables".

**Correlation Between SHG Participation and Decision-Making**

**Table 5: Decision-Making Authority by Duration of SHG Membership**

| Duration | Decisions (Mean Score out of 10) | Major Decisions (Mean Score out of 5) |
|---|---|---|
| **Less than 1 year** | 4.2 | 1.2 |
| **1-3 years** | 5.8 | 1.8 |
| **3-5 years** | 6.4 | 2.1 |
| **More than 5 years** | 7.1 | 2.6 |

*Note: Higher score indicates greater decision-making authority*

**Interpretation:** There is a positive correlation between duration of SHG membership and decision-making authority. Women with more than 5 years of membership have significantly higher scores in both general decisions (7.1 vs 4.2 for new members) and major decisions (2.6 vs 1.2). This suggests that sustained engagement with microfinance, combined with repeated exposure to financial activities, gradually builds women's confidence and agency in household decisions.

**Challenges Faced by SHG Members**

**Table 6: Major Challenges Faced by SHG Members (N=50)**

| Challenge Category | Specific Challenge | Frequency | Percentage |
|---|---|---|---|
| Personal Problems | Family Responsibilities | 17 | 34% |
| | Excessive Tension | 14 | 28% |
| | Lack of Family Support | 8 | 16% |
| | Lack of Formal Education | 7 | 14% |
| | Health Problems | 4 | 8% |
| Financial Problems | Shortage of Capital | 18 | 36% |
| | Fixed Capital Problems | 15 | 30% |
| | Insufficient Loan Amount | 9 | 18% |
| | Heavy Interest Rate | 5 | 10% |
| | Lack of Collateral Security | 3 | 6% |
| SHG-Related Problems | Marketing Difficulties | 20 | 40% |
| | Lack of Managerial Skills | 12 | 24% |
| | Group Conflicts | 8 | 16% |
| | Limited Market Access | 10 | 20% |

**Interpretation:** The data reveals that the most significant personal challenge is family responsibilities (34%), followed by excessive tension (28%) and lack of family support (16%). This is consistent with the literature finding that "family responsibilities" (34.17%) and "excessive tension" (27.5%) are the major personal problems faced by women SHG members.

Financial challenges centre on shortage of capital (36%) and fixed capital problems (30%), reflecting the difficulty of starting and sustaining micro-enterprises. Marketing difficulties (40%) are the most common SHG-related challenge, consistent with the finding that "lack of marketing experience" is a significant constraint.

**Discussion**

- **The Empowerment Paradox**
  - The findings from Mysore District reveal a paradox central to microfinance interventions: while SHG membership improves women's savings habits, income generation, and confidence, it does not automatically translate into comprehensive decision-making autonomy. Women exercise authority primarily in minor and daily decisions, but major financial domains asset purchases, land transactions, and investments remain male-dominated.
  - The study conducted by Chaitra and Indira (2024) found that "SHG membership significantly enhances women's economic autonomy, confidence, and participation in health, education, and property decisions". However, the present study shows that this participation is concentrated in specific domains. The observation that "the society is male dominated and finance is also controlled by men" remains relevant.
- **The Role of Financial Literacy:** Financial literacy emerges as a critical mediating factor. With 52% of respondents being illiterate and none having graduated, limited education restricts women's ability to understand financial instruments and make informed decisions. The study on tribal women in Mysuru District found that only about 30-35% of women possess basic financial literacy, and less than 25% are aware of diversified investment options.
- However, financial literacy can be developed through SHG participation. The study on SHG members in Mysore District found that "financial literacy significantly shapes savings behavior, investment decisions, and digital financial engagement". This suggests that sustained SHG engagement can build financial capabilities over time.
- **Socio-Cultural Barriers:** Patriarchal norms continue to constrain women's economic agency. The present study found that 58% of respondents reported that their families were unwilling to support them in major purchases, and 66% of land/property transactions remained male-dominated. As the literature notes, "when financial freedom is detained from women then their social and political freedom are also detained".
- The "encouragement at family level and opportunities at society level" identified as necessary for women's economic development remain inadequate in many households.
- **The Burden of Loan Repayment:** A significant finding is that 55% of respondents repay their loans through daily wage income, while only 12% rely on their husband's earnings. This indicates that women bear the primary responsibility for loan repayment, adding to their economic burden. As a larger study in Mysore District found, "nearly 50% of the respondents depend on their daily wage and salary to repay the loan". This creates a situation where women may be exposed to financial risk without corresponding gains in household decision-making power.

**Recommendations**

Based on the findings from Mysore District, the following recommendations are proposed:

- **Strengthen Financial Literacy Programmes:** With 52% of respondents being illiterate and only 2% having PUC qualifications, structured financial literacy training should be integrated into SHG activities. Programmes should cover savings, investment options, risk management, and financial planning in accessible formats.
- **Address Socio-Cultural Barriers:** Implement gender-sensitive interventions at household and community levels to address patriarchal norms. This includes engaging male household members in awareness programmes and promoting shared decision-making. As noted in the literature, "women require encouragement at family level and opportunities at society level in order to develop economically".
- **Enhance Support Systems:** Strengthen institutional support through cooperation from NGO workers, bank managers, and enhanced social interaction opportunities. This can help women overcome personal, financial, and marketing challenges.
- **Improve Access to Capital:** Address the shortage of capital (36% of respondents) and fixed capital problems (30%) by providing higher loan amounts and flexible repayment options. The current loan amounts are often insufficient for meaningful economic transformation.
- **Promote Marketing Support:** Develop market linkages and provide marketing training to help women entrepreneurs overcome marketing difficulties (40% of respondents).
- **Reduce Loan Repayment Burden:** Provide support mechanisms to ensure that loan repayment does not become an unsustainable burden on women, particularly those relying on daily wage income (55% of respondents).

## Conclusion

This paper has examined the impact of microfinance on women's household economic decision-making in Mysore District through primary survey data from 50 SHG members. The findings reveal that while microfinance participation has contributed to improvements in savings habits (84% regular savers), income generation, and participation in minor household decisions, the translation of these economic gains into comprehensive decision-making autonomy remains incomplete.

Women exercise decision-making primarily in daily expenses, festivals, and small purchases, while major financial decisions including asset purchases, land transactions, and significant investments continue to be dominated by male household members. The study identified socio-cultural norms, limited financial literacy, family responsibilities, and shortage of capital as key mediating factors.

The evidence suggests that microfinance alone is insufficient for comprehensive empowerment; it must be complemented by financial literacy programmes, skill development initiatives, gender-sensitive institutional support, and efforts to address patriarchal norms. As the literature concludes, "there is lot more to improve in this regard".

The Mysore District experience reflects broader patterns observed across India, where women's financial inclusion has expanded significantly but gains in decision-making autonomy have been uneven. Moving forward, policymakers and practitioners must adopt multidimensional, capability-based approaches that address not only financial access but also the socio-cultural and institutional barriers that limit women's agency in household economic decisions.

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